

Message Text

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TO AMEMBASSY SINGAPORE IMMEDIATE

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PASS HOOG FOR CONGRESSMAN VANIK AT HOTEL SINGAPORE

FOLLOWING REPEAT TOKYO 13926 ACTION SECSTATE
INFO BRUSSELS MANILA GENEVA 09 SEP 77

QUOTE

LIMITED OFFICIAL USE TOKYO 13926

USEC MISSION BRUSSELS

USMTN GENEVA

PASS STR STRAUSS, TREASURY ASST SEC. BERGSTEN, LABOR
UNDER-SEC SAMUEL

ALSO MANILA PASS TO UNDER-SEC COOPER

E.O. 11652: NA
TAGS: ETRD, GATT, MTN, JA
SUBJECT: US-JAPAN BILATERALS ON THE MULTILATERAL TRADE
NEGOTIATIONS, SEPTEMBER 6-7, 1977
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1. SUMMARY. JAPANESE OFFICIALS GENERALL REALIZE THAT
MAJOR CHANGE IS NEEDED IN THEIR OUTLOOK AND ACTIONS DUE
TO TRADE IMBALANCE AND GROWING FOREIGN PROTECTIONIST
SENTIMENT. THEIR CLEAR PREFERENCE APPEARS TO BE FOR IN-
DIVIDUAL SPECIFIC CUTS IN TRADE BARRIERS RATHER THAN
OVERALL MTN, BUT ARE LIKELY TO KEEP PASSIVE ROLE, SEEKING
TO REMAIN IN THE MIDDLE BETWEEN USG AND EC POSITIONS.
DISCUSSIONS WERE HIGHLY USEFUL IN GENERATING FEELING
THE GREATER JAPANESE PARTICIPATION WAS NEEDED IN MTN,
THAT CONSEQUENCES OF MTN FAILURE WERE UNACCEPTABLE,

AND THAT GREATER ALLOCATION OF JAPANESE RESOURCES NEEDED TO WORKING OUT ACCEPTABLE SOLUTIONS TO MTN DIFFERENCES AND JAPANESE STILL UNWILLING TO SUPPORT DEEPER CUT IN TARIFFS THAN 37 PERCENT AVERAGE, WISH TO RETAIN A 5 PERCENT FLOOR, AND FEAR INCREASE IN LDC'S IMPORTS.

3. MTN DISCUSSIONS MADE SLOW BUT USEFUL PROGRESS, BUT AS ANTICIPATED JAPANESE APPEAR TO WISH TO LIMIT THEIR SHORT-TERM CONTRIBUTIONS TO SPECIFIC EARLY PRODUCT CONCESSIONS. THUS MAJOR PRESS STORIES EMPHASIZE EXAGGERATED PRESSURE BY US ON CITRUS, CHERRIES, BEEF, LEATHER, THROWN SILK, FILM AND COMPUTERS, ETC., WHEN THESE WERE MERELY SUBSIDIARY ILLUSTRATIONS IN U.S. PRESENTATION OF BILATERAL PROBLEMS REMAINING. I SUSPECT JAPANESE SEEKING PRETEXT OF MTN TALKS THIS WEEK TO POINT TO PRESSURES ON BILATERAL QUESTIONS TO WHICH THEY CAN PRESENT ALTERNATIVES, IF THEY WISH, TO TAKING LARGER ACTIONS CALLED FOR BY COOPER-BERGSTEN-WEIL MEETINGS.

4. THE MEETINGS WERE PRODUCTIVE, IF NOT OF SPECIFIC AGREEMENTS, OF THE BEGINNINGS OF CLOSE COOPERATION LIMITED OFFICIAL USE
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BETWEEN JAPAN AND EC TOWARD LARGER RESULTS IN MTN. US SIDE MADE CLEAR THAT MINOR ADJUSTMENTS IN SELECTED JAPANESE TRADE BARRIERS WOULD BE A WHOLLY INADEQUATE RESPONSE TO WHAT WAS NEEDED. OVERALL ECONOMIC ISSUES ON COOPER-BERGSTEN-WEIL AGENDA WERE RESERVED FOR SEPT. 12-13 MEETINGS WITHOUT DISCUSSIONS. END SUMMARY.

5. AMB ALAN WOLFF, DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ACCOMPANIED BY MESSRS. BARRACLOUGH, FEKETEKUTY, HEIMLICH, KELLY, RIVERS AND STARKEY FROM WASHINGTON AND MCNAMARA FROM GENEVA AS WELL AS E/C MINISLER BUTTON, ECON COUNSELOR PIEZ AND WESTMORE FROM EMBASSY MET TO DISCUSS MTN ISSUES SEPTEMBER 6 AND 7 WITH JAPANESE DELEGATION HEADED BY DIRECTOR GENERAL MOTONO OF FOREIGN OFFICE AND DIRECTORS GENERAL FROM MINISTRIES OF FINANCE, AGRICULTURE AND FORESTRY, MITI AND ECONOMIC PLANNING AGENCY AND OTHER OFFICIALS. IN INTRODUCTORY REMARKS, MOTONO STRESSED POLITICAL IMPORTANCE OF MTN BUT NOTED SCHEDULE SEEMS TO BE VERY TIGHT AND THAT PRESENT WORLD ECONOMIC SITUATION HAS A POLITICAL EFFECT ON THAT TIMETABLE. NEVERTHELESS, JAPAN IS PREPARED TO TRANSLATE ITS POLITICAL WILL INTO REAL ACTION. IN RESPONSE, AMB WOLFF REVIEWED BILATERALS WHICH U.S. HAS RECENTLY CONDUCTED WITH OUR KEY TRADING PARTNER AND INDICATED THAT THERE WAS A GROWING BROAD REALIZATION THAT THE ALTERNATIVES TO TRADE LIBERALI-

ZATION ARE UNACCEPTABLE AND THAT MATTER WAS URGENT.
STRESSING THE IMPORTANCE OF MEETING THE TIMETABLE
DEVELOPED IN JULY, HE EXPRESSED HOPE THAT SENIOR
GOVERNMENT REPRESENTATIVES TO GATT CONSULTATIVE
GROUP OF 18 THE THIRD WEEK OF SEPTEMBER MEET ON THE
MARGINS OF THAT GROUP TO WORK OUT FINAL AGREEMENT ON
TARIFF PLAN COVERING TARIFF REDUCTION FORMULA,
SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS AND
OTHER ELEMENTS OF TARIFF PLAN BY OCTOBER 1. WOLFF
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SAID U.S. STRONGLY FEELS LARGE MTN ESSENTIAL AND IS
NOT PREPARED TO ABANDON ANY MAJOR AREA CURRENTLY
UNDER NEGOTIATION.

6. INTERNAL LEGISLATIVE PROCEDURES: IN RESPONSE TO
MOTONO'S QUESTION, AMB WOLFF REVIEWED TRADE ACT PRO-
CEDURES FOR CONGRESSIONAL APPROVAL OF AGREEMENTS IN
THE NON-TARIFF AREA. HE STRESSED THAT CONGRESSIONAL
PARTICIPATION IN ALL PHASES OF THE NEGOTIATIONS, AMG
STRAUSS' OWN VERY CLOSE CONTACT WITH MEMBERS OF THE
CONGRESS AND THE EXCELLENT COMMUNICATION WITH OUR
PRIVATE SECTOR ADVISERS ALONG WITH THE HIGH DEGREE
OF CONFIDENCE BY OUR PRIVATE SECTOR IN AMB. MCDONALD
ALL ASSURE THAT AGREEMENTS WHICH THE U.S. SIGNS WILL
BE APPROVED BY THE CONGRESS. MOTONO REVIEWED INTERNAL
JAPANESE LEGISLATIVE PROCEDURES, NOTING THAT GOJ
INTENDS TO SUBMIT ONE SINGLE PACKAGE TO DIET BUT WILL
NEED CONSIDERABLE PREPARATORY WORK FOLLOWING CONCLUSION
OF MTN. IF MTN WERE TO CONCLUDE IN MID-1978,
GOJ WOULD SUBMIT RESULTS TO DIET SESSION WHICH BEGIN
SEPTEMBER 1978, WITH APPROVAL OF PACKAGE EXPECTED BY
EARLY SUMMER OF 1979. MOTONO ACKNOWLEDGED POSSIBILITY
OF SPECIAL DIET SESSION TO ACCELERATE APPROVAL AND
IMPLEMENTATION OF MTN RESULTS. IN RESPONSE TO AMB.
WOLFF'S EXPRESSION OF CONCERN ABOUT SLOWNESS OF
JAPANESE DOMESTIC PROCEDURES, MOTONO SAID GOJ WOULD
MAKE MAJOR EFFORT TO GIVE PRIORITY TO MTN IMPLEMENTA-
TION BUT THAT DIET IS UNPREDICTABLE.

7. WOLFF NOTED THAT GENERAL US PERCEPTION IS THAT
JAPAN ABLE TO MAKE VERY RAPID INROADS INTO U.S. MARKET
WHICH ARE DIFFICULT TO ADJUST TO WHILE THERE WAS WIDE-
SPREAD PERCEPTION IN U.S. THAT JAPANESE MARKET CLOSED
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TO COMPETITIVE U.S. PRODUCTS. SPEED AND CONTENT OF MTN,
AS WELL AS JAPANESE ROLE IN MTN, WAS IMPORTANT IN

DEVELOPING A PUBLIC PERCEPTION IN U.S. THAT JAPAN WAS TRYING TO EXPEDITE COMMON SOLUTIONS TO PROBLEMS.

8. A. FORMULA TARIFFS: MOTONO SAID THAT GOJ STILL BELIEVES THAT TARIFF FORMULA SHOULD HAVE SIGNIFICANT HARMONIZATION EFFECT AS WELL AS SUBSTANTIAL REDUCTION OF TARIFFS. FOR THAT REASON JAPAN CONTINUES TO SUPPORT ITS FORMULA PROPOSAL MADE IN OCTOBER OF LAST YEAR, NOTING THAT THIS COULD BE COMPROMISE POSITION BETWEEN HIGH US DEPTH OF CUT AND EC MINI-EFFORT. GOJ ALSO BELIEVES EXCEPTIONS SHOULD BE MINIMIZED, ALTHOUGH IT WILL HAVE TO TAKE SOME EXCEPTIONS. ON BASE RATES-BASE RATE ISSUE, JAPAN STAUNCHLY DEFENDS POSITION IT SHOULD NOT BE PENALIZED FOR ITS UNILATERAL TARIFF REDUCTIONS OF NOVEMBER 1972. HE ASKED WHAT PROGRESS HAD BEEN MADE ON TARIFF NEGOTIATING PLAN WITH EC. WOLFF RESPONDED THAT U.S. AND EC TAKE QUITE DIFFERENT APPROACHES ON QUESTIONS ON DEPTH OF CUT AND EXCEPTIONS. HE SAID THAT EC PROPOSAL Y EQUALS X ITERATED TWO OR THREE TIMES WOULD BE COMPLETELY UN-ACCEPTABLE; VERY SMALL OVERALL CUT FROM THIS FORMULA FOLLOWED BY EXCEPTIONS WOULD YIELD UNACCEPTABLY SMALL RESULTS. WOLFF NOTED THAT KENNEDY ROUND TARGET DEPTH OF CUT WAS 50 PERCENT BUT FINAL RESULTS AFTER EXCEPTIONS AVERAGED 35 PERCENT FOR THE KEY COUNTRIES. ANY LESSER OBJECTIVE FOR THE TOKYO ROUND WAS UNTHINKABLE IN THE U.S. VIEW, PARTICULARLY IN LIGHT OF FACT THAT CURRENT AVERAGE TARIFFS NOW ARE CONSIDERABLY LOWER THAN AT TIME OF KENNEDY ROUND. AMB WOLFF NOTED THAT U.S. WAS PREPARED TO CONSIDER FORMULA WITH GREATER HARMONIZATION AND A SMALLER LINEAR ELEMENT AND NOTED THAT U.S. WAS CONSIDERING A FORMULA ALONG LINES OF Y EQUALS $40 \text{ PLUS } .5X$, WITH SOME DUTY ELIMINATION, PRESENTING A TARGET OF 50 PERCENT. JAPAN SUBSEQUENTLY LIMITED OFFICIAL USE
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RESPONDED THAT WHILE THEY APPRECIATE FLEXIBILITY IN THE U.S. POSITION JAPAN FEELS NEW U.S. TARIFF PROPOSAL DID NOT CONTAIN SUFFICIENT HARMONIZATION ELEMENT AND DID NOT CONTAIN FLOOR WHICH JAPAN PREFERS. HOWEVER JAPAN AGREED TO REVIEW NEW U.S. PROPOSAL BEFORE PROVIDING MORE DETAILED REACTION.

B. EXCEPTIONS: ON EXCEPTIONS, BOTH U.S. AND JAPAN NOTED THAT SOME ECONOMIC EXCEPTIONS WOULD HAVE TO BE TAKEN BY EACH COUNTRY (IN ADDITION TO U.S. MANDATORY EXCEPTIONS). WOLFF NOTED THAT IT MAY BE POSSIBLE TO DEVELOP TARIFF PLAN WITHOUT SPECIFIC ADDITIONAL RULES ON EXCEPTIONS BEYOND CONSENSUS ALREADY REACHED IN GROUP TARIFFS. HE ALSO NOTED MAJOR PROBLEM FOR CANADA STEMING FROM JAPANESE SUPPORT FOR A 5 PERCENT FLOOR.

U.S. AND JAPAN AGREED THAT PETROLEUM AND PETTOLEUM PRODUCTS SHOULD BE SIMPLY EXCLUDED FROM SCOPE OF TARIFF REDUCTIONS RATHER TAKEN AS EXCEPTIONS. MIZOGUCHI (IN MOTONO'S ABSENCE AFTERNOON SEPTEMBER 6 FOR MEDICAL TREATMENT) EXPRESSED CONCERN ABOUT BALANCING IN TARIFFS AREA, NOTING STRUCTURE OF JAPANESE TRADE WITH U.S. AND OTHER KEY COUNTRIES (BULK OF EXPORTS ARE MANUFACTURED PRODUCTS WHILE BULK OF IMPORTS ARE DUTY FREE OR LOW-DUTY RAW MATERIALS AND SEMI-MANUFACTURES). WE ASKED GOJ TO PROVIDE US WITH INFORMAL PAPER EXPLAINING IN DETAIL ITS CONCERN. WOLFF NOTED SEVERAL APPROACHES TO BALANCING IN TARIFFS AREA, INCLUDING WITHDRAWALS OR DEEPER THAN FORMULA CUTS. JAPANESE FREQUENTLY EXPRESSED IMPORTANCE TO THEM OF REDUCING HIGH U.S. TARIFFS AND WERE UNRESPONSIVE TO SEVERAL U.S. SUGGESTIONS THAT IF JAPAN AND EC CONTINUE TO MAINTAIN MINIMAL DEPTH OF CUT OBJECTIVES IT MIGHT BE NECESSARY FOR U.S. TO REASSESS ITS MOVING FORWARD LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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WITH NEGOTIATION AT THIS TIME. WE WOULD NOT PARTICIPATE IN A FRAUD. MIZOGUCHI, HOWEVER, NOTED THAT JAPAN IS NOT SAYING IT CANNOT AGREE ON A DEEPER CUTTING FORMULA BUT THAT IF EC SERIOUSLY HOLDS TO ITS PRESENT VIEW, JAPAN DID NOT SEE HOW U.S. DEPTH OF CUT OBJECTIVE COULD BE ACHIEVED.

C. BASE RATES-BASE DATES: ON BASE RATES - BASE DATE, U.S. AND JAPAN TOOK FAMILIAR POSITIONS ON ISSUE BUT JAPAN HINTED AT SOME FLEXIBILITY IN TERMS OF POSSIBLE DEEPER THAN FORMULA CUTS ON UNBOUND ITEMS WHERE APPLIED RATE IS LOWER THAN STATUTORY RATE. WOLFF NOTED THAT PROBLEMS ARISING FROM THIS ISSUE COULD BE GREATLY ALLEVIATED BY A DEEPER OVERALL CUT.

D. S AND D: ON SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS, U.S. NOTED ITS SUPPORT FOR TRADE LIBERALIZING MEASURES, AND ITS SERIOUS OPPOSITION TO NON-LIBERALIZING MEASURES SUCH AS TAKING EXCEPTIONS OR SLOWER STAGING TO MAINTAIN PREFERENTIAL MARGINS FOR LDCS. JAPAN ALSO JUSTIFIED FLOOR AS PRESERVING MARGIN OF PREFERENCE FOR LDC'S. JAPAN EXPRESSED RELUCTANCE TO AGREE ON A LIST OF S AND D WHICH DC'S WERE PREPARED TO CONSIDER; IT PREFERRED INSTEAD UNILATERAL STATEMENTS BY DC'S CONTAINING MEASURES EACH WAS PREPARED TO ENTERTAIN. IF UNILATERAL DECLARATION NOT POSSIBLE, JAPAN WOULD AT LEAST PREFER THAT COMMON LIST OF MEASURES BE VIEWED AS GUIDELINES FOR FUTURE EFFORTS RATHER THAN BINDING COMMITMENTS BY DC'S.

9. IN RESPONSE TO QUESTION FROM JAPAN ON U.S.

APPROACH TO AGRICULTURAL TARIFFS, AMB WOLFF
NOTED PROCEDURES AGREED IN JULY BY GROUP AGRICULTURE
FOR REQUEST/OFFER PROCEDURES. CONCERNING THE RELE-
VANCE OF THE TARIFF FORMULA TO AGRICULTURAL PRODUCTS,
U.S. HOPED THAT COUNTRIES WOULD MAKE THE MAXIMUM
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EFFORT TO MEET REQUESTS AND TO CUT SUCH TARIFFS
BY NO LESS THAN FORMULA WOULD CALL FOR. NOTING
MEAGER RESULTS ON AGRICULTURE IN KENNEDY ROUND, WOLFF
SAID AMB STRAUSS HAD PLEDGED THAT TOKYO ROUND MUST
ACHIEVE SUBSTANTIAL RESULTS IN AGRICULTURE.
SHIMURA (MAF) STRESSED SEPARATE NATURE OF PROCEDURES
FOR AGRICULTURE TARIFFS AND SOUGHT DISASSOCIATE
AGRICULTURAL TARIFFS FROM US. OBJECTIVE OF ACHIEVING
TARIFF CUTS OF AT LEAST AS GREAT AS THOSE UNDER
KENNEDY ROUND. WHILE NOTING THAT JAPAN WOULD
CAREFULLY CONSIDER REQUESTS BEFORE DETERMINING WHAT
OFFERS IT WOULD MAKE, HE BLUNTLY SUGGESTED THAT
JAPANESE OFFERS IN THIS AREA WOULD NOT INVOLVE SAME
DEPTH OF CUT AS IN KENNEDY ROUND. IN RESPONSE TO U.S.
SUGGESTION THAT COUNTRIES SHOULD BE PREPARED TO BIND
ALL OF ITS TARIFF RATES IN THE MTN, JAPAN SAID
IT WOULD BE DIFFICULT FOR JAPAN, AND HE PRESUMED OTHER
COUNTRIES, TO BIND ALL THEIR TARIFFS INCLUDING
AGRICULTURAL TARIFFS.

10. NON TARIFF MEASURES: A) CUSTOMS VALUATION -
MOTONO SAID THIS ISSUE IS DEAR TO THEIR HEARTS; JAPAN
WANTS TO AVOID ARBITRARY VALUATION BY OTHERS AND
ESTABLISH SIMPLER RULES. U.S.(KELLY) SAID THERE ARE
TWO WAYS TO PROCEED: 1) TO DEAL WITH PARTICULAR ISSUES
SUCH AS UPLIFT IN PARTICULAR COUNTRIES OR 2) THE
APPROACH THE EC FAVORS, TO DRAW UP A COMMON CODE ON
CUSTOMS VALUATION PRACTICES. U.S. WAS WILLING TO
TAKE EITHER APPROACH. WHICHEVER DIRECTION MTN TAKES,
U.S. MUST RECEIVE ADEQUATE COMPENSATION FOR CHANGES
IN ITS VALUATION SYSTEM. JAPAN (NOZAKI OF MOF)
NOTED JAPANESE VALUATION SYSTEM IS COMPATIBLE WITH
GATT AND BRUSSELS DEFINITION OF VALUE AND ASKED
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WHETHER U.S. PLANS CHANGES IN ASP AND 402 (A). BOTH
COUNTRIES EXPRESSED WILLINGNESS TO REVIEW EC DRAFT
CODE ON VALUATION. B) SUBSIDIES/COUNTERVAILING
DUTIES - MOTONO NOTED THAT JAPANESE OBJECTIVES IN
THIS AREA WERE PRINCIPALLY TO BRING U.S. LAWS INTO
CONFORMITY WITH GATT RULES. JAPAN DID NOT LINK

PROGRESS ON SUBSIDIES AS CRITICAL LINK WITH PROGRESS ON COUNTERVALING DUTIES ALTHOUGH IT ADMITTED THAT PERHAPS PRESENT GATT RULES ON SUBSIDIES NEEDED SOME STRENGTHENING. AMB WOLFF SAID EXISTING RULES ARE HIGHLY INADEQUATE; U.S. SEEKS A COMPREHENSIVE SOLUTION FOR BOTH SUBSIDIES AND MEASURE TAKEN TO OFFSET SUBSIDIES AS WELL AS PROBLEM OF COMPETITIVE SUBSIDIES IN THIRD MARKETS. U.S. VIEWED SOLUTION TO SUBSIDY PROBLEM AS A PRIMARY REQUISITE FOR MTN ALTHOUGH IT IS FLEXIBLE ON THE FORM OF AGREEMENT. U.S. RECOGNIZED THAT AGRICULTURAL EXPORT SUBSIDIES PROBABLY CANNOT BE PROHIBITED BUT LIMITS SHOULD BE ESTABLISHED. C) STANDARDS - U.S. (KELLY) SAID IT DETECTED WANING INTEREST OF JAPAN IN CERTAIN MTN AREAS SUCH AS STANDARDS. JAPAN (KURODA OF MITI) SAID JAPAN HAS NOT LOST INTEREST IN A STANDARDS CODE. D) GOVERNMENT PROCUREMENT - U.S. (KELLY) ASKED WHETHER JAPAN SHARES U.S. VIEW THAT GOVERNMENT PROCUREMENT IS AN IMPORTANT PART OF MTN AND THAT PROGRESS IS HOW BEING MADE ON THE ISSUES. MOTONO AGREED AND STRESSED IMPORTANCE TO JAPAN OF NON-DISCRIMINATION, INCLUDING BUY-AMERICAN PRACTICES, AND TRANSPARENCY. BOTH SIDES SAW NO POSSIBILITY OF DIFFERENTIAL TREATMENT FOR LDCS IN THIS AREA ALTHOUGH U.S. SAW SOME POSSIBILITY OF LETTING LDCS HAVE A BUY-NATIONAL POLICY. E) QUANTITATIVE RESTRICTIONS - U.S. (KELLY) SAID IT BELIEVED ONE OBJECTIVE OF MTN SHOULD BE TO REMOVE ALL ILLEGAL OR'S AND PROPOSED THAT THEY BE PHASED OUT OVER A PERIOD OF YEARS PERHAPS IN THE SAME MANNER THAT TARIFF REDUCTIONS WILL BE STAGED. MOTONO INDICATED JAPAN'S WILLINGNESS TO DISCUSS QR LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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ELIMINATION PRODUCT-BY-PRODUCT BUT IT WAS IMPOSSIBLE FOR IT TO ACCEPT ANY PLAN FOR AUTOMATIC REDUCTION OR ELIMINATION FOR QR'S. BRIEF EXCHANGE ON QUESTION OF AUTOMATIC IMPORT LICENSING SUGGESTED RELATIVE LACK OF INTEREST BY JAPAN IN THIS ISSUE.

11. AGRICULTURAL PRODUCTS: A) GRAINS - U.S. BRIEFLY REVIEWED RELATIONSHIP BETWEEN LONDON AND GENEVA TALKS AND STRESSED THAT U.S. DOES NOT CONSIDER ARRANGEMENT ON RESERVES AND STABILIZATION AS A SUBSTITUTE FOR TRADE LIBERALIZATION. AMB WOLFF NOTED THAT U.S. IS PLEDGED TO CREATION OF FOOD RESERVES AND OBSERVED THAT IT WOULD BE USEFUL TO HAVE SOME PRICE STABILITY IN THIS AREA. HE NOTED THAT U.S. OPPOSES ANY RIGID PRICE BAND BUT WILLING TO SEE SOME PRICE STABILITY CREATED IN A NEW INTERNATIONAL GRAINS ARRANGEMENT. HE NOTED CLOSE LINK NEEDED BETWEEN DISCUSSION OF PRICE STABILITY AND RESERVES IN LONDON AND TRADE LIBERALI-

ZATION DISCUSSIONS IN GENEVA AND ADDED THAT FEED GRAINS WERE ALSO POLITICALLY VERY IMPORTANT TO U.S., ESPECIALLY IN TERMS OF MARKET ACCESS AND CONTROL OF EXPORT SUBSIDIZATION. B) MEAT AND DAIRY PRODUCTS - U.S. SAID IT EXPECTED AUSTRALIA AND NEW ZEALAND TO TAKE THE INITIATIVE IN THESE TWO SUBGROUPS IN GENEVA; PROGRESS IN THESE AREAS WILL DETERMINE EXTENT OF THOSE COUNTRIES WILLINGNESS TO PARTICIPATE IN OTHER AREAS OF THE NEGOTIATIONS.

12. SAFEGUARDS: MOTONO SAID THAT OUTCOME OF SAFE- GUARDS QUESTION WAS OF CENTRAL IMPORTANCE FOR SUCCESSFUL MTN, IN JAPAN VIEWS. JAPAN WAS PARTICULARLY CONCERNED ABOUT ABUSIVE USE OF SAFEGUARDS AND SELECTIVITY LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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IN APPLICATION OF SAFEGUARD MEASURES. AMB. WOLFF AGREED STRESSING IMPORTANCE OF ALL SAFEGUARD MEASURES BEING BROUGHT IN UNDER INTERNATIONAL RULES; THE CURRENT SYSTEM IS INADEQUATE AND NOT COM- PREHENSIVE IN THAT IT DID NOT INCLUDE ORDERLY MARKING ARRANGEMENTS, VOLUNTARY EXPORT RESTRAINTS AND OTHER SUCH DEVICES. U.S. WAS NOT A PROPONENT OF SELECTIVITY, BUT IT SEEMS UNREALISTIC TO ATTEMPT TO CREATE A NEW SYSTEM WITHOUT SOME SELECTIVITY SINCE EVENTS ARE MOVING THE SYSTEM IN THAT DIRECTION. RESULT WOULD BE MANY MEASURES NOT SUBJECT TO INTERNATIONAL CONTROL OR REVIEW. WHILE UNDER- STANDING REASONS WHY U.S. HAS MIXED FEELINGS ON THE SUBJECT, JAPAN EXPRESSED CONCERN ABOUT ONE SELECTIVE ARRANGE- MENT BEGETTING OTHERS AS HAD OCCURRED UNDER MULTI- FIBER ARRANGEMENT. JAPAN BASICALLY AGREED ON IDEA OF DEGRESSIVITY IN SAFEGUARDS BUT EXPRESSED NO FURTHER IDEAS AT THE MOMENT. IT WONDERED HOW TO AVOID SPECULATION AND FLOOD OF IMPORTS UNDER ANY PRIOR NOTIFICATION REQUIREMENT AND FELT THAT EXPOST NOTI- FICATION SHOULD BE LIMITED TO EXCEPTIONAL CASES. IT IS EXAMINING POSSIBILITY OF ESTABLISHING INTERNAL PROCEDURES FOR ANNOUNCING INITIATION OF INVESTIGA- TION AND RESULTS. WOLFF NOTED THAT U.S. WAS WORKING ON A DRAFT SAFEGUARDS CODE AND SAID IT INTENDS TO HOLD EXTENSIVE CONSULTATIONS WITH KEY COUNTRIES BEFORE TABLING THE DRAFT. IN RESPONSE TO JAPANESE QUESTION WHETHER U.S. POSITION CONTAINED IN DOCUMENT MTN/SG/W/11 OF 16 JULY 1976 IS UNCHANGED, PARTICULARLY ON THE FIRST POINT, KELLY NOTED THAT THE BASIS OF THE U.S. DRAFT WILL BE THE TEN POINTS IN THAT DOCUMENT MODIFIED AS NECESSARY BY THE RECEPTIVITY OF OTHERS TO U.S. VIEWS. IN RESPONSE TO SERIES OF QUESTIONS BY TAKAHASHI OF MITI ON U.S. VIEWS CONCERNING VOLUNTARY EXPORT RESTRAINTS, U.S. SAID SUCH RESTRAINTS

OFTEN HAVE EFFECTS SIMILAR TO ARTICLE XIX ACTIONS
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AND THAT THEY FREQUENTLY HAVE A TRADE IMPACT ON
THIRD COUNTRIES WITH NO OPPORTUNITY FOR THOSE COUNTRIES
TO PRESENT THEIR VIEWS IN ADVANCE OF CONCLUSION OF
SUCH ARRANGEMENTS. US..SUGGESTED THAT BOTH DELEGATIONS
IN GENEVA MEET TO DISCUSS THAT BOTH DELEGATIONS
IN GENEVA MEET TO DISCUSS THE TEN POINTS
IN THE U.S. DOCUMENT AS SOON AS POSSIBLE. US. S.
DESIRE TO ACHIEVE A ROUGH DRAFT OF A SAFEGUARDS CODE
BY DECEMBER 15 WAS CAUSE FOR JAPANESE CONCERN DUE TO
LACK OF INTERNAL AGREEMENT ON ISSUES POSED.

13. FRAMEWORK GROUP: MOTONO SAID JAPAN
SHARES THE VIEW THAT THERE SHOULD BE SOME WORK IN
THE FRAMEWORK AREA, BUT JAPAN WAS SKEPTICAL WHETHER
PROGRESS CAN BE ACHIEVED WITHIN MTN TIMETABLE.
JAPAN WAS PARTICULARLY INTERESTED IN EXPORT RESTRIC-
TIONS. WOLFF OBSERVED THAT THE PRINCIPAL GAINS FOR
LDCS IN THE MTN WILL COME ELSEWHERE IN NEGOTIATIONS
FROM TRADE CONCESSIONS GRANTED ON MFN BASIS BUT U.S.
RECOGNIZED LDC DESIRE TO OBTAIN A JURIDICIAL BASIS
FOR PREFERENTIAL TREATMENT. US. S. WANTS TO MAKE PRO-
GRESS ON ALL ISSUES BEING CONSIDERED IN FRAMEWORK
GROUP AND SUGGESTED JAPAN MAY WISH TO TABLE PROPOSALS
ON EXPORT RESTRICTIONS AND OTHER IMPROVEMENTS.
JAPAN EXPRESSED SOME RESERVE ABOUT ORIENTATION FRAME-
WORK GROUP MAY TAKE WHILE IT SHARED U.S. FEELING ON
NEED FOR GRADUATION CONCEPT FOR LDCS, MOTONO
FRANKLY SAID THAT JAPAN HAS PROSPERED UNDER PRESENT
FRAMEWORK SO IT IS HARD FOR JAPAN TO TAKE THE
INTIATIVE TO CHANGE IT.

14. IN CONCLUDING REMARKS, AMB. WOLFF SAID U.S.
WELCOMED MUCH OF THE DISCUSSION ON NTM ISSUES BUT WAS
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DISAPPOINTED THAT NO VISIBLE PROGRESS ON TARIFFS
WAS MADE. HE HOPED JAPAN SHARED THE SENSE
OF URGENCY WHICH U.S. HAD AND NEED TO GIVE MTN
SOME CREDITABILITY. NOTING THAT PRESIDENT CARTER AND
PRIME MINISTER FUKUDA WERE THE PRINCIPAL SPOKESMEN
FOR THE MTN, AT DOWNING STREET, HE THOUGHT THAT JAPAN
SHOULD PLAY A LEADING ROLE IN THE MTN AND EXPRESSED
DISAPPOINTMENT JAPAN WAS NOT OUT IN FRONT IN TERMS
OF TARIFF FORMULA DEPTH OF CUT. HE SUGGESTED THAT
TRADE ANY CURRENT LIBECALIZING ACTIONS BY

JAPAN WOULD ENERGIZE THE MTN AND IMPROVE GREATLY
JAPAN'S IMAGE IN THE WORLD IF SUCH STEPS WERE TO BE
INTEGRATED WITH THE MTN. HE ALSO CAUTIONED THAT
LIBERALIZATION OF INDIVIDUAL QUOTAS, OR ADVANCE
SELECTIVE DUTY CUTS WOULD BE COMPLETELY UNACCEPTABLE
IF OFFERED AS A SUBSTITUTE FOR JAPANESE LEADERSHIP
AND FULL PARTICIPATION IN VERY MAJOR
RESULTS IN TERMS OF TRADE LIBERALIZATION IN THE TOKYO
ROUND.

15. MEETINGS WITH VICE MINISTER MASUDA (MITI),
(EPA) MIYAZAKI, AND LEADERS OF KEIDANREN FOLLOWED.
MANSFIELD
UNQUOTE VANCE

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Message Attributes

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From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197709114/baaaetsn.tel
Line Count: 504
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
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Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1098800
Secure: OPEN
Status: NATIVE
Subject: US-JAPAN BILATERALS ON THE MULTILATERAL TRADE NEGOTIATIONS, SEPTEMBER 6-7, 1977 LIMITED OFFICIAL USE
LIMITED OFFICIAL USE
TAGS: ETRD, US, JA, GATT, MTN
To: SINGAPORE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/ff56aa3a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009